

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

In re TERAYON COMMUNICATION  
SYSTEMS, INC. SECURITIES LITIGATION

) Master File No. C-00-1967-MHP

) CLASS ACTION

This Document Relates To:

ALL ACTIONS.

) ~~PROPOSED~~ ORDER PRELIMINARILY  
) APPROVING SETTLEMENT AND  
) PROVIDING FOR NOTICE

AS AMENDED BY COURT @ pp 3-4

1 WHEREAS, a consolidated class action is pending before the Court entitled *In re Terayon*  
2 *Communication Systems, Inc. Securities Litigation*, Master File No. C-00-1967-MHP (the  
3 "Litigation");

4 WHEREAS, the Court has received the Stipulation of Settlement dated as of March 17, 2006  
5 (the "Stipulation"), that has been entered into by the Lead Plaintiffs and Defendants, and the Court  
6 has reviewed the Stipulation and its attached Exhibits; and

7 WHEREAS, the parties having made application, pursuant to Federal Rule of Civil  
8 Procedure 23(e), for an order preliminarily approving the settlement of this Litigation, in accordance  
9 with the Stipulation which, together with the Exhibits annexed thereto sets forth the terms and  
10 conditions for a proposed settlement of the Litigation and for dismissal of the Litigation with  
11 prejudice upon the terms and conditions set forth therein; and the Court having read and considered  
12 the Stipulation and the Exhibits annexed thereto; and

13 WHEREAS, all defined terms contained herein shall have the same meanings as set forth in  
14 the Stipulation;

15 NOW, THEREFORE, IT IS HEREBY ORDERED:

16 1. The Court does hereby preliminarily approve the Stipulation and the settlement set  
17 forth therein, subject to further consideration at the Settlement Hearing described below.

18 2. A hearing (the "Settlement Hearing") shall be held before this Court on September  
19 25, 2006, at 2:00 p.m., at the United States Courthouse, 450 Golden Gate Avenue, San Francisco,  
20 California, to determine whether the proposed settlement of the Litigation on the terms and  
21 conditions provided for in the Stipulation is fair, reasonable and adequate to the Class and should be  
22 approved by the Court; whether a Judgment as provided in ¶1.13 of the Stipulation should be entered  
23 herein; whether the proposed Plan of Allocation should be approved; and to determine the amount of  
24 fees and expenses that should be awarded to Co-Lead Counsel. The Court may adjourn the  
25 Settlement Hearing without further notice to Members of the Class.

26 3. The Court approves, as to form and content, the Notice of Proposed Settlement of  
27 Class Action (the "Notice"), the Proof of Claim and Release form (the "Proof of Claim"), and  
28 Summary Notice for publication annexed as Exhibits A-1, A-2 and A-3 hereto, and finds that the  
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1 mailing and distribution of the Notice and publishing of the Summary Notice substantially in the  
2 manner and form set forth in ¶¶4-5 of this Order meet the requirements of Federal Rule of Civil  
3 Procedure 23 and due process, and is the best notice practicable under the circumstances and shall  
4 constitute due and sufficient notice to all Persons entitled thereto.

5 4. Pursuant to Rule 53(c) of the Federal Rules of Civil Procedure, the Court appoints the  
6 firm of RG/2 Claims Administration LLC ("Claims Administrator") to supervise and administer the  
7 notice procedure as well as the processing of claims as more fully set forth below:

8 (a) Not later than August 1, 2006 (the "Notice Date"), Co-Lead Counsel shall  
9 cause a copy of the Notice and the Proof of Claim, substantially in the forms annexed as Exhibits A-  
10 1 and A-2, to be mailed by first class mail to all Class Members who can be identified with  
11 reasonable effort;

12 (b) Not later than August 2, 2006, Co-Lead Counsel shall cause the Summary  
13 Notice to be published once in *Investor's Business Daily*; and

14 (c) At least seven (7) calendar days prior to the Settlement Hearing, Co-Lead  
15 Counsel shall cause to be served on Defendants' counsel and filed with the Court proof, by affidavit  
16 or declaration, of such mailing and publishing.

17 5. Nominees who purchased or otherwise acquired publicly traded common stock or  
18 purchased call options or sold put options of Terayon between November 15, 1999 and April 11,  
19 2000, inclusive, shall send the Notice and the Proof of Claim to all beneficial owners of such  
20 Terayon securities within ten (10) days after receipt thereof, or send a list of the names and addresses  
21 of such beneficial owners to the Claims Administrator within ten (10) days of receipt thereof, in  
22 which event the Claims Administrator shall promptly mail the Notice and Proof of Claim to such  
23 beneficial owners. Co-Lead Counsel shall, if requested, reimburse banks, brokerage houses or other  
24 nominees solely for their reasonable out-of-pocket expenses incurred in providing notice to  
25 beneficial owners who are Class Members out of the Class Notice and Administration Fund, which  
26 expenses would not have been incurred except for the sending of such notice, subject to further order  
27 of this Court with respect to any dispute concerning such compensation.

1           6.       All Members of the Class shall be bound by all determinations and judgments in the  
2       Litigation concerning the settlement, whether favorable or unfavorable to the Class.

3           7.       Class Members who wish to participate in the settlement shall complete and submit  
4       Proof of Claim forms in accordance with the instructions contained therein. Unless the Court orders  
5       otherwise, all Proof of Claim forms must be submitted no later than ninety (90) days from the Notice  
6       Date. Any Class Member who does not timely submit a Proof of Claim within the time provided for  
7       shall be barred from sharing in the distribution of the proceeds of the Net Settlement Fund, unless  
8       otherwise ordered by the Court.

9           8.       The Court previously certified the Class, set forth at paragraph 1.4 of the Stipulation.  
10       Pursuant to an order of the Court dated April 4, 2003, a Notice of Pendency of Class Action was sent  
11       to Class Members on April 13, 2003 advising them of their right to request exclusion from the Class.  
12       The Court finds that the Notice of Pendency of Class Action complied fully with the requirements of  
13       Rule 23 of the Federal Rules of Civil Procedure and due process, and thus, it is not necessary to  
14       afford Class Members another opportunity to request exclusion from the Class pursuant to Rule  
15       23(e)(3).

16          9.       Any Member of the Class may enter an appearance in the Litigation, at their own  
17       expense, individually or through counsel of their own choice. If they do not enter an appearance,  
18       they will be represented by Co-Lead Counsel.

19          10.      Any Member of the Class may appear and show cause, if he, she or it has any reason,  
20       why the proposed settlement of the Litigation should or should not be approved as fair, reasonable  
21       and adequate, why a judgment should or should not be entered thereon, why the Plan of Allocation  
22       should or should not be approved, or why attorneys' fees and expenses should or should not be  
23       awarded to Co-Lead Counsel; provided, however, that no Class Member or any other Person shall be  
24       heard or entitled to contest the approval of the terms and conditions of the proposed settlement, or, if  
25       approved, the Judgment to be entered thereon approving the same, or the order approving the Plan of  
26       Allocation, or the attorneys' fees and expenses to be awarded to Co-Lead Counsel, unless that  
27       Person has delivered by hand or sent by first class mail written objections and copies of any papers  
28       and briefs such that they are received on or before September 8, 2006, by: ~~Lerach Coughlin Stoia~~  
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~~Geller Rudman & Robbins LLP, Joy Ann Bull, 655 West Broadway, Suite 1900, San Diego, California 92101; Bernstein Liebhard & Lifshitz, LLP, Timothy J. MacFall, 10 East 40th Street, New York, New York 10016; and Quinn Emanuel Urquhart Oliver & Hedges, LLP, Duane R. Lyons, 865 S. Figueroa Street, 10th Floor, Los Angeles, California 90017, and filed~~ said objections, papers and briefs with the Clerk of the United States District Court for the Northern District of California, on or before September 8, 2006. Any Member of the Class who does not make his, her or its objection in the manner provided shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness or adequacy of the proposed settlement as set forth in the Stipulation, to the Plan of Allocation, or to the award of attorneys' fees and expenses to Co-Lead Counsel, unless otherwise ordered by the Court.

11. All funds held by the Escrow Agent shall be deemed and considered to be in *custodia legis* of the Court, and shall remain subject to the jurisdiction of the Court, until such time as such funds shall be distributed pursuant to the Stipulation and/or further order(s) of the Court.

12. All papers in support of the settlement, the Plan of Allocation, and the application by Co-Lead Counsel for attorneys' fees or reimbursement of expenses shall be filed and served seven (7) calendar days before the Settlement Hearing.

13. Neither Defendants nor their Related Parties shall have any responsibility for or liability with respect to the Plan of Allocation or any application for attorneys' fees or reimbursement of expenses submitted by Co-Lead Counsel, and such matters will be considered separately from the fairness, reasonableness and adequacy of the settlement.

14. At or after the Settlement Hearing, the Court shall determine whether the Plan of Allocation proposed by Co-Lead Counsel, and any application for attorneys' fees or reimbursement of expenses shall be approved.

15. All reasonable expenses incurred in identifying and notifying Class Members, as well as administering the Settlement Fund, shall be paid as set forth in the Stipulation. In the event the settlement is not approved by the Court, or otherwise fails to become effective, neither the Lead Plaintiffs nor Co-Lead Counsel shall have any obligation to repay any amounts actually and properly disbursed from the Class Notice and Administration Fund.

1 16. Neither the Stipulation, nor any of its terms or provisions, nor any of the negotiations  
2 or proceedings connected with it, shall be construed as an admission or concession by Defendants or  
3 their Related Parties of the truth of any of the allegations in the Litigation, or of any liability, fault,  
4 or wrongdoing of any kind.

5 17. The Court reserves the right to adjourn the date of the Settlement Hearing without  
6 further notice to the Members of the Class, and retains jurisdiction to consider all further  
7 applications arising out of or connected with the proposed settlement. The Court may approve the  
8 settlement, with such modifications as may be agreed to by the Settling Parties, if appropriate,  
9 without further notice to the Class.

10  
11 DATED: July 24, 2006

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13  
14 Submitted by:

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10 Co-Lead Counsel for Plaintiffs

11 S:\Settlement\Terayon.set\EA 00030660.doc



CERTIFICATE OF SERVICE

I hereby certify that on July 6, 2006, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the e-mail addresses denoted on the attached Electronic Mail Notice List, and I hereby certify that I have mailed the foregoing document or paper via the United States Postal Service to the non-CM/ECF participants indicated on the attached Manual Notice List.

I further certify that I caused this document to be forwarded to the following designated Internet site at: <http://securities.lerachlaw.com/>.

s/ JOY ANN BULL

JOY ANN BULL

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## Mailing Information for a Case 3:00-cv-01967-MHP

### Electronic Mail Notice List

The following are those who are currently on the list to receive e-mail notices for this case.

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### Manual Notice List

The following is the list of attorneys who are **not** on the list to receive e-mail notices for this case (who therefore require manual noticing). You may wish to use your mouse to select and copy this list into your word processing program in order to create notices or labels for these recipients.

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CAND-ECF

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